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SUBJECT: CAMEROON HIKES PUBLIC SECTOR SALARIES: WHAT IMPACT FOR  
US?

REF: Yaounde 428

11. (U) Summary: The pay raise that President Biya promised  
Cameroonian civil servants in the wake of February riots took effect  
on April 25, when an estimated 170,000 officials saw their salaries  
rise by 15 percent and their lodging benefits rise to 20 percent of  
their base salaries. The United Nations and some international  
organizations are planning to match the raises in their own payroll,  
but private sector contacts believe their already elevated pay  
scales will insulate them from additional wage pressure. The  
Mission's locally engaged staff, however, has not received such  
year-to-year plus ups; their wage stagnation, exacerbated by rising  
costs of living, threatens to pose post management problems in the  
short to medium term. End Summary

Money in the Pocket  
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12. (U) As part of his response to civil unrest in February,  
President Biya promised a pay raise for Cameroonian civil servants  
and military personnel, which took effect on April 25. The Ministry  
of Finance's new benefits package includes a 15 percent increase in  
base pay and an increase in lodging allowance from 8 to 20 percent  
of base pay. According to the Ministry of Finance, the monthly wage  
burden now totals about 50 billion CFA (about \$120 million) per  
month. The affected workers--about 170,000 in total--include, inter  
alia, diplomats, judges, teachers, police and security officials.  
Acknowledging the challenge of funding the pay raise at the same  
time the President has temporarily suspended taxes on many  
commodities, Finance Minister Essimi Menye told the press: "We can  
pay the April salaries this month, but to keep the pay raise  
sustainable, we will need to work hard to increase receipts and cut  
back expenditures."

What Impact on the Private Sector?  
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13. (SBU) The head of GICAM, Cameroon's most important business  
chamber, told Poloff on April 25 that their members would not feel  
pressure to match the government's price hike because they had  
already been increasing salaries annually and negotiating  
sector-wide salary scales through collective agreements. Similarly,  
the head of a large American company with its regional headquarters  
in Cameroon told Poloff on April 25 that the private sector would  
feel pressure but that larger companies would be "immune" because  
their salary scales are already so superior to those of the public  
service.

14. (SBU) The head of a leading private sector bank (and one of the  
Embassy's salary comparators) predicted that banking sector unions  
would use the public service pay hike to take a tougher line in  
negotiations with the employers and that the private sector in  
general would feel pressure to match the government's 15 percent  
raise. Nevertheless, he too felt he and his comparators would be  
relatively more insulated since they had given more substantial

annual increases and were thus on a higher pay scale than the government.

15. (SBU) The heads of the United Nations system (another comparator for the Embassy's pay scale) and the German development agency GTZ told Poloff that their agencies would automatically match the civil service hike.

#### Government Views

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16. (SBU) Minister of Commerce Luc Antangana recently told Pol/Econ Chief that the Ministry of Labor is in negotiations to increase the minimum wage (SMIC) of 23,000 fcfa set in 1996. This needs to increase, he said, and once it does, it will have broad impact, especially among agricultural workers. He thought that in response to the recent public sector salary increase, some private sector managers would increase salaries, but he opined that only the educated management level would benefit ("through tricks they will get richer"), not impacting directly the salaries of the blue collar/agricultural workers.

#### The Inflation Outlook

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17. (SBU) Atangana predicted that inflation would not erode too much of the 15 percent pay raise. The IMF projects inflation will top 2.9 percent in 2008. However, most economists believe inflation is actually substantially higher. Anecdotal evidence from the food markets suggests that prices for basic commodities continue to rise, despite the government's suspension of taxes and pressure on traders. The government has announced measures to increase

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production (reftel), but there is no evidence that supply will catch up with demand (especially regional demand from oil and cash-rich Chad and Equatorial Guinea) in the short or medium terms.

#### Comment: Adding Pressure to LE Staff Salaries

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18. (SBU) At first blush it seems inevitable that the substantial civil service benefit raise will place pressure on private sector wages as well. As the interlocutors argued, however, the private sector has already been providing superior wage scales for many years--and topping up those salaries with regular adjustments for inflation. Furthermore, the President's decision was widely seen as long overdue; it was the first public sector wage increase since public sector salaries were cut by 50% in 1993 (which was further exacerbated by a 50 percent currency devaluation in 1994). In this context, many viewed this raise as a correction rather than indicative of a broader need to realign wages. Additionally, many highly skilled and well-educated Cameroonians are without work, so there should be ample labor supply to dampen employee demands for higher wages. Employees seeking to pressure their bosses will likely have to leverage Cameroon's labor code and mass action to push their point home.

19. (SBU) Unfortunately, the Embassy does not enjoy the same status as the private sector firms: Embassy salaries have failed to keep pace with comparators for more than five years. LE staff have recently raised with post management the public sector salary increase as a reason to review their stagnant salary structure. While we do not expect our LE Staff to be tempted away en masse in the short term (because there is a lack of other options), the rising pressure on their purchasing power, increasing frustration with the stagnation of Embassy wages, and the allure of growing benefits elsewhere will inevitably take a toll if remedial action is not taken in the short or medium term. GARVEY.